



Pan-European Shopping Centre Executive Opinion Survey

International Council of Shopping Centers

April 2013

Euro-Shop Index Continues to Contract in March

Challenging market conditions prevail in the European shopping-centre industry

The **International Council of Shopping Centers (ICSC)** reported that its pan-European survey of shopping-centre industry business conditions for March 2013 revealed persistent challenges. The survey results were compiled from responses of European shopping-centre executives collected between 14-31 March 2013.

ICSC's **Euro-Shop Index**, the survey's summary index of current and future business conditions, stood at 43% in March. Although this was a seven percentage point improvement on the previous month, the index remains in contraction, albeit the pace of decline has slowed. Market sentiment was similarly gloomy a year ago; however, at 46%, it was marginally better than at present.

The **Euro-Shop Current-Conditions Index**, which measures the performance of four components (sales, footfall, occupancy and re-leasing rent), showed little change on February, rising by a marginal one percentage point to reach 36%—still well in decline.

Metrics	Mar-2013	Month/ Month	Year/ Year
Current-Conditions Index	35.7%	↑	↓
Expectations Index	50.0%	↑	↑
Euro-Shop Index	42.9%	↑	↓

Following on from last month's sudden acute drop in performance, all four industry indicators continued to contract in March. Footfall and rents saw a further fall, down to 36% and 32% respectively; however, the pace of decline decelerated for sales and occupancy (see Figure 1).

The lack of footfall in shopping centres is likely to be a consequence of the recent unseasonably cold weather, which is either delaying demand for spring apparel or perhaps shifting it online as consumers look to avoid venturing outdoors.

Figure 1: ICSC Euro-Shop Index

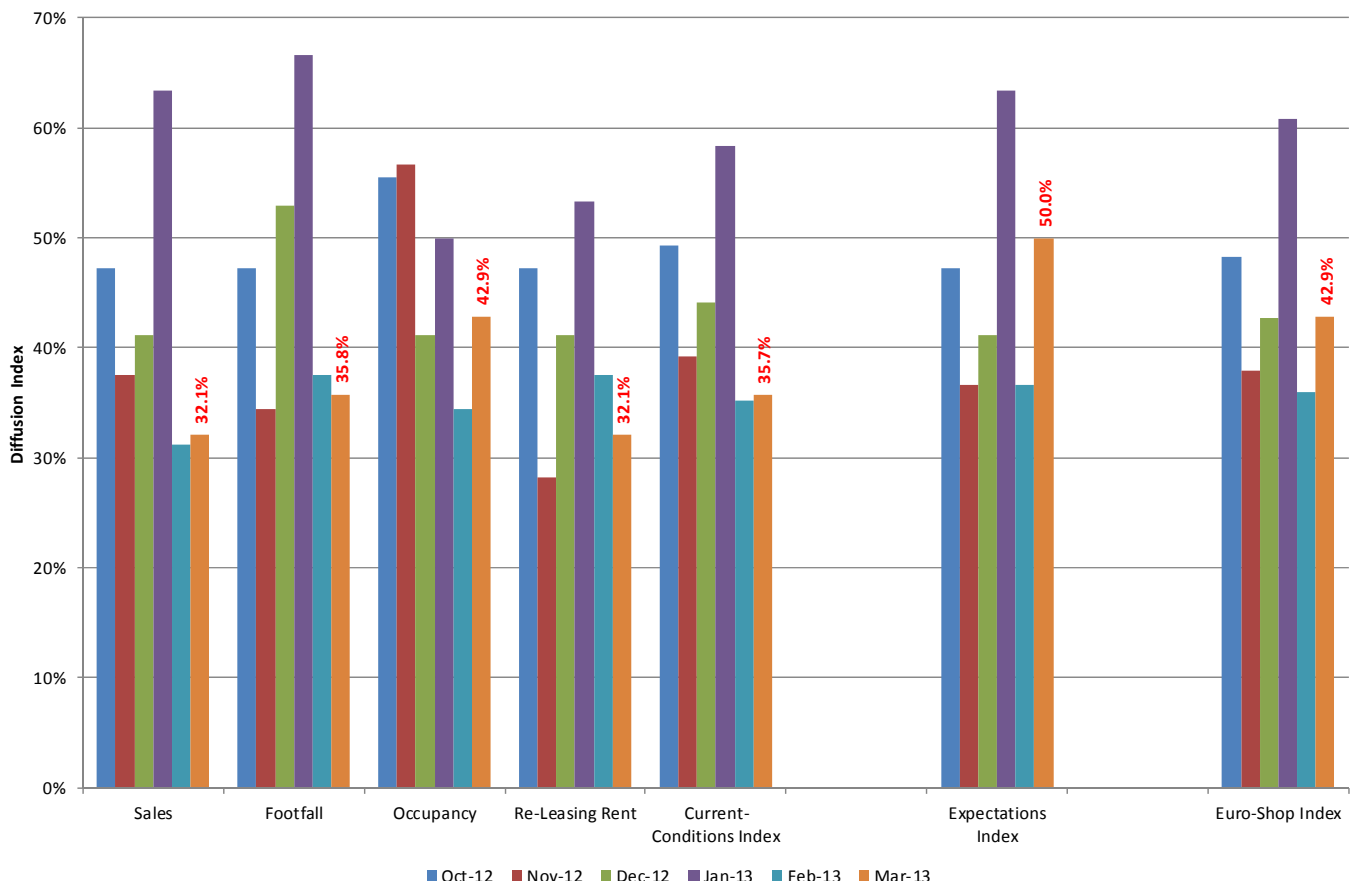


Figure 2: Euro-Shop Industry Indexes—Total, Current & Expectations



Despite the negative sentiment with regard to current business conditions, the one bright aspect that emerged from the survey is that the market is not expected to deteriorate further over the coming six months.

The **Euro-Shop Expectations Index** rose by 13 percentage points in March to reach the critical 50% mark—representing ‘no change’. This is an improvement on March 2012 when the index was in contraction at 47% and, with the exception of January 2013 which appears to have been an anomaly in the overall negative trend, this is the most optimistic outlook that we have seen since April 2012.

This level of confidence in the industry is perhaps surprising given the ongoing economic difficulties being faced by a number of European countries. The current financial crisis in Cyprus has led to the EU and International Monetary Fund stepping in with a 10 billion euro bailout deal. The short term outlook for the country looks incredibly bleak as restrictions on bank accounts remain in place and confidence in the banking system is at an all-time low. Some forecasters have estimated a 20% shrinkage in the country's GDP as a result.

There is also the issue of the current political stalemate in Italy which some commentators believe could undermine the European Central Bank's efforts to stabilise the eurozone economy. Indeed, over two thirds of shopping-centre executives who responded to our survey are ‘a little concerned’ that the situation could reignite the debt crisis. A further 15% are ‘extremely concerned’, though conversely 15% stated that they are ‘not very concerned’.

In summary, European shopping-centre business conditions remain firmly in contraction, albeit the pace of decline has slowed since last month. Current conditions are particularly tough with all four components performing poorly in March. The very end of the month may have seen some improvement in sales and footfall due to the Easter break; however, this was too late to filter through into this month's survey results.

Despite the growing unemployment rate in the eurozone, which, according to Eurostat, reached a record high of 12% in February, shopping-centre executives are feeling optimistic that business conditions are not expected to weaken further over the next six months.

Survey Technical Notes

The intent of this business survey is to provide an on-going monthly tracking of key performance indicators for the shopping-centre industry. The **ICSC Euro-Shop Index** is an equally-weighted average of the **Euro-Shop Current-Conditions Index** and the **Euro-Shop Expectations Index**. In turn, the Euro-Shop Current-Conditions Index is an equally-weighted average “diffusion” index for sales, footfall (traffic), occupancy and re-leasing rent.

A diffusion index—which measures the breadth of change—is computed as the sum of the components rising plus one-half of the same or unchanged responses. A diffusion index can range from 0 to 100% with zero representing the entire panel reporting declining conditions to 100% with the entire panel reporting improving conditions. A reading of 50% represents “no change”. An index reading of over 50% reflects growth and a reading below 50% is a contraction. A sequential change in the index when it is above 50% represents an acceleration (index rises) or deceleration (index declines) for that period relative to the comparison point.

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